

**Portland Area Municipal Authority
Ionia County, Michigan**

FINANCIAL STATEMENTS

December 31, 2003

Portland Area Municipal Authority

Ionia County, Michigan

December 31, 2003

COMMISSIONERS

Mr. Keith Cook

Chairperson

Mr. Bob Showerman

Treasurer

Mr. Thomas Buck

Secretary

Mr. Robert Switzer

Commissioner

Mr. Gerald Krausz

Commissioner

Portland Area Municipal Authority

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Member:
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and
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Certified Public
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INDEPENDENT AUDITOR'S REPORT

Members of the Commission
Portland Area Municipal Authority
Portland, Michigan

We have audited the general purpose financial statements of the Portland Area Municipal Authority as of and for the year ended December 31, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Authority's commission. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portland Area Municipal Authority as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Portland Area Municipal Authority
BALANCE SHEET - CAPITAL PROJECTS FUND
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash	\$ 3,552	\$ 4,025
Due from other governmental units - Local	<u>308</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,860</u>	<u>\$ 4,025</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 420	\$ 420
Due to other governmental units - Local	<u>1,505</u>	<u>1,082</u>
TOTAL LIABILITIES	1,925	1,502
FUND BALANCE		
Unreserved - undesignated	<u>1,935</u>	<u>2,523</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,860</u>	<u>\$ 4,025</u>

See accompanying notes to general purpose financial statements.

Portland Area Municipal Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS FUND

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUES		
Intergovernmental		
Local	\$ 1,601	\$ 1,300
EXPENDITURES		
Site improvements	556	-
Insurance	1,008	700
Accounting fees	<u>625</u>	<u>600</u>
TOTAL EXPENDITURES	<u>2,189</u>	<u>1,300</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(588)	-0-
Fund balance, beginning of year	<u>2,523</u>	<u>2,523</u>
Fund balance, end of year	<u>\$ 1,935</u>	<u>\$ 2,523</u>

See accompanying notes to general purpose financial statements.

Portland Area Municipal Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Portland Area Municipal Authority (PAMA) was created July 18, 1984, pursuant to the Provisions of Act 31, Extra Session of 1948, of the Public Acts of Michigan. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

PAMA was created by a joint venture between the Township of Portland, the City of Portland, and the Township of Danby. The governing body of PAMA is a commission which is comprised of five (5) commissioners: two (2) appointed by the City of Portland, two (2) appointed by the Township of Portland, and one (1) appointed by the Township of Danby.

PAMA is charged with the responsibility of acquiring, financing, equipping, and improving an emergency services building for use by the municipalities noted above. The constituent municipalities are responsible for their share of the costs incurred by PAMA according to the following percentages:

City of Portland	40 %
Portland Township	40
Danby Township	20

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of PAMA. PAMA is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

The operations of PAMA are recorded in a Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of improvements to the emergency services building.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recorded when due.

5. Comparative Data

Comparative data has been presented in the accompanying financial statements in order to provide an understanding of changes in the Fund's financial position and operations.

Portland Area Municipal Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

NOTE B: CASH

PAMA's deposits consist of a checking account which is reported as cash on the Balance Sheet.

In accordance with Michigan Compiled Laws, PAMA is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation, or Government National Mortgage Association.

Deposits of PAMA are at federally insured banks located in the State of Michigan with all accounts maintained in the name of PAMA.

As of December 31, 2003, the carrying amount and bank balance for the checking account as reported on the Balance Sheet was \$3,552, which was fully insured.

Portland Area Municipal Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

NOTE C: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Portland Area Municipal Authority no later than the fiscal year ending December 31, 2004; the retroactive reporting of infrastructures, if any, is optional to be implemented no later than the year ending December 31, 2008.